

Development of Wakf Fund in Public Higher Education Institutions

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Abstract

In light of evolving socioeconomic factors, the annual rise in education costs presents a pressing concern. Johor Islamic Religious Council has appointed special trustees from the UTM Education Wakf Fund and UTHM Education Cash Wakf Fund to address this challenge. This paper aims to analyze the development of wakf funds as practiced by UTM and UTHM. The research methodology employed for this study encompasses content analysis and interviews, unveiling the systematic and effective management of wakf funds for education. Notably, enhancements are evident in fund accumulation, refined management strategies, and the proactive adoption of fundraising approaches. These findings underscore the institutions' commitment to mitigating the escalating cost of education while ensuring sustainable financial support for their student communities.

Keywords: Wakf, Fund Development, Wakf Institutions, Islamic Wealth Management

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1.0 Introduction

The government is actively promoting the wakf agenda in higher education within the country. It is in line with the rising operating costs of universities in the current economic situation, which could be more favourable (Ghafoorzai Shaiq Ahmad et al., 2021). To address this issue, all higher education institutions have been urged not to rely solely on government funding and to seek their own funding sources. The government has also granted autonomy to public universities to obtain their own management funding to cover operational costs. Among the suggested initiatives to diversify university financial resources is the establishment of Endowment and Wakf Funds. The government has provided incentives for establishing Endowment and Wakf Funds under the Malaysian Education Development Plan 2015 - 2025 (Higher Education). The government also encourages contributions from corporate companies to higher education institutions by providing matching funds.

The government has taken steps to reduce its annual subsidies to public universities, which has led to challenges as operating costs continue to rise. Implementing the educational wakf in higher education is seen as a solution to help public universities address this issue. According to the National Higher Education Strategic Plan 2015 - 2025, the challenge is that government funding has been increasing by 14% per year, especially in subsidies to public higher education institutions. These subsidies account for 90% of the annual expenditures of public universities. Management funds also need to transition from a system heavily reliant on government sources and shift its focus towards an input-oriented system that emphasizes success and engagement from all stakeholders in contributing to the education sector.

2.0 Literature Review

2.1 Differences between wakf and endowment

Wakf and endowment are both forms of philanthropic funding mechanisms, often used in the context of education and charitable purposes. While they share some similarities, there are key differences between them. Wakf is an Islamic philanthropic practice where

individuals or organizations donate assets, typically property or investments, to create a trust with the intention that the income generated from these assets is used for specific charitable or religious purposes (Ridwan & Muhammad Fuad Zain, 2020). Wakf is deeply rooted in Islamic tradition and law. The primary purpose of wakf is to support Islamic religious, charitable, and community activities. It can fund mosques, schools, hospitals, and other social services (Muhammad Hasbi et al., 2022). Wakf is also meant to be perpetual, and the donated assets are generally considered inalienable. The principal amount remains intact, and only the income generated is used for the designated purposes (Nur Afifah Anuar et al., 2022).

An endowment is a financial asset or investment fund donated to an institution, such as a university or a charitable organization to use the investment income to support the institution's mission and activities (Fathullah Asni et al., 2020). Endowments are common in both Islamic and non-Islamic contexts. Endowments can support various of purposes, including education, research, scholarships, cultural preservation, healthcare, and more. They are not limited to religious or charitable causes (Muhammad Iqmal Hisham et al., 2022). Endowments also can be more flexible regarding the beneficiaries and purposes they support. While they are typically established for perpetuity, there may be mechanisms for adjusting the terms or beneficiaries over time (Noor Hidayah Zainudin et al., 2022).

2.2 Definition of wakf

The term wakf originates from the Arabic word "*waqafa*", which means to hold (*al-habs*), to prevent (*al-man*), and to channel (*tasbi*). According to fuqaha, wakf relates to continuous charity, defined as giving a certain property during one's lifetime and allowing its users to last forever. According to Al-Shawkani (1973), wakf, in terms of Islamic law, means to hold property for the sake of Allah SWT to provide its benefits to the poor and travellers while maintaining its original owner as the giver of wakf. The fuqaha have agreed to define wakf based on the language term "*al-habs*" which means to hold, as it is closer to the Islamic legal understanding. The word "*al-habs*" was also frequently mentioned by the Prophet Muhammad in several hadiths, such as:

حبس الاصل وسبل الثمرة

Meaning: "Hold (wakf) the land and give the product as charity."

(Sahih Bukhari, Kitab al-Sha'b, No 2579)

Wakf means to hold onto something of value or goods that can be utilized, provided that its physical form is preserved according to the conditions set by Islamic law and that the benefit of the wakf is channelled for purposes allowed by Islamic law. The act of wakf begins with a pure intention to do good and provide benefits to others. In other words, wakf is a dedication made by an individual to benefit others to receive continuous rewards from Allah SWT. These purposes may include aiding the poor and needy for the cause of Allah SWT and the general welfare. It is done to get closer to Allah SWT. Wakf has been given various meanings by the scholars, such as:

Table 2.1 Definition of Wakf According to Scholars

| Scholars | Definition |
|-----------------|--|
| Syafi'i scholar | Syafi'i scholar defines wakf as withholding property that can be utilized while preserving its physical form with the management rights and proceeds used for charitable purposes and to seek closeness to Allah SWT (Muhammad Ubayd, 1977). |
| Hanbali scholar | Hanbali scholar defines wakf as withholding the physical form of property, donating its proceeds for charitable purposes and seeking closeness to Allah SWT. This definition is looser than the Shafi'i definition, as the term "donating" in this definition can also mean that the wakf property can be given to the wakf recipient. However, the wakf property is still bound by its use, and its proceeds can only be utilized (Muhammad al-Syarbini, 1958). |
| Maliki scholar | Maliki scholar defines wakf as donating the benefit of a property as long as the property exists and remains in the donor's possession. It is based on the hadith: "Keep the original property and flow the proceeds." The term "keep" here does not mean that the donor's ownership is cut off, but the property remains under their ownership. Even though the donor still owns the property, their ownership is bound, meaning they cannot sell it (Muhammad Abu Zahrah, 1959). |
| Hanafi scholar | Imam Abu Yusuf and Imam Muhammad bin Hassan define wakf as withholding a property under Allah SWT authority where the donor's ownership rights will transfer to Allah SWT, and the proceeds from the property will be used for the public good. The wakf property will become the property of Allah SWT. Therefore, it must be used for good causes and righteous deeds (Muhammad Ubayd, 1977). |

3.0 Methodology

The design of a study is the structure of a particular study and involves specific planning in selecting the sources and types of data needed for an investigation (Maxwell, 2005). This study employed a qualitative research methodology encompassing historical methods, content analysis, and comparative analysis. The research methodology employed written sources and semi-structured interviews, specifically engaging with the top management of the UTM Education Wakf Fund and the UTHM Education Cash Wakf Fund. This approach was selected to ensure a comprehensive examination of the subject matter. Within this study, the researcher examines the evolution of educational wakf in Malaysia, tracing its development from

traditional systems to contemporary higher education institutions. This investigation indirectly sheds light on the growth of Wakf-based educational institutions in Malaysia and the influential factors contributing to their progression.

4.0 Findings

4.1 Development of Wakf Fund in IPTA

The Wakf institution, tracing its roots back to the time of Prophet Muhammad, stands as a prominent Islamic financial institution. This institution is pivotal in fostering economic growth within the Islamic community. Furthermore, the growth and advancement of wakf institutions in Malaysia align with the government's objectives (Muhammad Husni Hasbulah et al., 2022). The annual escalating operational expenses universities face necessitate exploring alternative funding sources, reducing dependence on government assistance. It is an imperative response to the ever-increasing global cost of living and services. Alongside the surge in educational expenditures, students are unavoidably affected. While certain organizations offer student loans as a temporary remedy, such loans impose higher costs and interest repayment upon students upon completion of their studies. It is essential to alleviate student's burden of debt. As an economic development instrument encompassing education, Wakf offers a viable solution to this problem.

4.1.1 University Technology Malaysia

University Technology Malaysia (UTM) manages two distinct endowment funds: the UTM Education Wakf Fund and the UTM Endowment Fund. The UTM Education Wakf Fund was officially established by signing a Memorandum of Understanding (MoU) on December 5, 2016. The Johor State Islamic Religious Council appointed UTM as the Special Trustee on July 26, 2016. The Education Wakf Fund Board of Directors comprised UTM and the Johor State Islamic Religious Council representatives. The fund's primary objectives encompass identifying effective strategies for accumulating wakf contributions and disbursing them to deserving beneficiaries (*al-Mawquf*). Furthermore, the fund aims to offer scholarships to eligible recipients (*al-Mawquf*) as an alternative financial support, supplementing existing assistance programs. Additionally, it extends financial support to various entities for research initiatives, consultancy services, laboratory enhancements, thesis preparation, and other related endeavours.

4.1.2 University Tun Hussein Onn

UTHM derives a portion of its revenue from the Endowment and Wakf Center, which operates two distinct funds with varying implementation methods: the UTHM Endowment Fund and the UTHM Education Cash Wakf Fund. Both funds share a common objective: to enhance UTHM's financial independence by diversifying its income sources and expanding its capacity to support students more effectively. The Wakf Fund encompasses contributions from various sources, including haemodialysis, fixed deposits, Wakf Cash Education facilitated through salary deductions and Wakf Infrastructure investments. These funds are pivotal in facilitating UTHM's journey towards financial self-sufficiency and creating enhanced opportunities for its student community.

5.0 Discussion

From all the respondent's answers, it can be summarized that Johor State Islamic Religious Council has designated University Technology Malaysia (UTM), University Tun Hussein Onn Malaysia (UTHM), and Johor State Religious Higher Education Institute (MARSAH) as Special Trustees responsible for implementing educational wakf initiatives in Johor. To streamline administration and management, The Johor State Islamic Religious Council has agreed to establish the following committees under Special Trustees, including the Shariah Committee of the Wakf for Education, Administration and Finance Committee, Audit Committee, and Development and Investment Committee. These committees operate under the supervision of the Wakf for Education Management Committee, chaired by the Vice-Chancellors of UTM and UTHM, along with the Chief Executive Officer of MARSAH.

The highest governing body overseeing all activities conducted by the Special Trustees for Wakf for Education is the Johor State Wakf for Education Board, led by the Chairman and Deputy Chairman of the Johor State Islamic Religious Council. Membership composition across these committees is determined by the Johor State Islamic Religious Council's appointment document as Special Trustees and the Memorandum of Understanding (MoU) between the council and the Special Trustees, with sixty per cent representing the council and forty per cent representing the Special Trustees (Respondent 6).

The Johor Islamic Religious Council granted the UTM Education Wakf Fund Special Trustee status on July 26, 2016. The official launch and signing ceremony of the memorandum of understanding with the Johor State Islamic Religious

Council occurred on December 5, 2016. Under the Deputy Vice Chancellor of Development, the fund was established to generate funds to support underprivileged students in covering their tuition fees and living expenses. The fund has received donations in various forms, including cash, immovable assets like land, houses, buildings (Container Cafe), Toyota Innova vehicles donated by Mutiara Motors, and various other instruments from staff, individuals, and corporate entities (Respondent 3).

Donation collection methods include staff salary deductions, direct payments at the Wakf Office Counter, online transfers, the UTM Smart application, and mobile counters during Wakf campaigns. The fund has also initiated projects such as the Free Food program for B40 students and the distribution of Eid al-Fitr money to eligible students, which Her Majesty Raja Zarith Sofiah Binti Almarhum Sultan Idris Shah UTM Chancellor completed to 32 B40 students, each receiving RM230. UTM Education Wakf Fund actively engages with potential donors through personalized approaches, including sending donation request letters and maintaining ongoing relationships with philanthropists through annual recognition. Various communication channels, such as email, Facebook, website, Instagram, WhatsApp, and letters, are used for promotions and announcements (Respondent 4).

The Johor State Islamic Religious Council granted the UTHM Education Cash Wakf approval, and a special trustee was appointed on January 26, 2017. In June 2017, the office was established, and the management responsibilities for both wakf and endowment funds were amalgamated in August of the same year. The oversight of wakf and endowment management falls under the purview of the Deputy Vice-Chancellor for Financial Sustainability. During its initial establishment phase, UTHM Education Cash Wakf adopted a proactive approach to raising awareness among internal campus stakeholders regarding educational wakf initiatives, including staff, department heads, centres, and faculty members. Various awareness-raising methods were employed, including incorporating educational wakf discussions into Islamic month-related programs and inaugural lectures. Furthermore, the collection of contributions through employee salary deductions was initiated. To facilitate public wakf contributions, management wakf fund collection points were strategically placed in every mosque on campus (Respondent 5).

In the initial two years following the establishment of the UTHM Education Cash Wakf, the management team primarily concentrated on fund collection activities. However, in the third year, they transitioned towards implementing projects to further the Wakf's objectives. One such initiative was the deployment of Wakf Kiosks at several strategic locations within the campus. These kiosks were available for rent to campus residents and the wider community. The rental income generated from these kiosks is subsequently channelled into the Wakf fund, supporting its ongoing activities and initiatives (Respondent 6).

The management team of UTHM Education Cash Wakf also embarked on implementing the Wakf Infrastructure project, primarily focused on constructing roads within the campus premises. Notably, this project did not generate financial returns to the wakf fund, as it falls under the category of a service-oriented wakf. Following this initiative, UTHM Education Cash Wakf established its haemodialysis centre to anticipate generating returns from this healthcare project, which would be deposited into the wakf fund. However, as of the study period, the haemodialysis centre was still pending operational approval. UTHM Education Cash Wakf collaborates closely with key stakeholders, including the Johor State Islamic Religious Council, corporate entities, and the Restu Foundation. Among the forthcoming projects slated for implementation is constructing a Shariah-compliant hotel within the campus premises in partnership with the Restu Foundation. With estimated costs in the hundreds of millions of ringgits, this ambitious project is expected to serve as a significant symbol and exemplar of wakf management within higher education institutions in Malaysia (Respondent 4).

6.0 Conclusion

The development of wakf in education in Malaysia has reached the level of higher education institutions, signifying a novel approach to financing that can be further strengthened with effective marketing, prudent fund management, robust legislative support, professional governance, and the identification of suitable wakf management models for implementation. The efficient implementation of wakf in education can enhance academic activities, facilitate facility creation and improvement, and deliver advantages to both students and the broader community. Moreover, wakf in higher education can spur economic development through various projects, including infrastructure upgrades, construction initiatives, the promotion of investment vehicles, and business ventures. It is important to note that wakf education is not an alternative to government aid programs for higher education institutions but rather a complementary mechanism. In conclusion, wakf can

foster unity among diverse, multi-ethnic, and multi-religious communities by promoting a shared understanding of the wakf concept.

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Paper Contribution to Related Field of Study

This paper contributes to the field of Islamic Finance and general finance.

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